## ABSTRACT

A gradually stepped payment (GSP) mortgage loan at a fixed rate of interest has payments that are gradually increased over much or all of the loan term. The payments may be increased monthly, annually or on other schedules. The increments are predefined at the beginning of the loan so that the borrower may account for and predict the changes. The general method for creating the GSP loan is to start with a predefined loan amount, initial payment amount, interest rate and loan term. Given these four constants, a lender calculates the growth rate by which the loan payments increase to produce a desired present value for the total GSP payments. The growth rate may also be affected by other predefined factors affecting the current value calculations, such as the timing and duration of the payment increases. The growth rate is likely to be a unique multi-decimal number, as opposed to a full or half percent (or combination thereof). With the GSP loan, the stream of increasing loan payments has a present value equal to than the present value for a stream of constant payments associated with a conventional fixed rate self-amortizing loan of comparable interest rate, term and amount.